

Decision 00-12-058 December 21, 2000

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of San Diego  
Gas & Electric Company For Authority to  
Increase its Rates And Charges for Electric, Gas,  
and Steam Service, Effective January 1, 1993.  
(U 902-M)

Application 91-11-024  
(Filed November 15, 1991;  
Rate Design Window  
Segment Filed  
November 1, 1999)

(Appearances are listed in Appendix H.)

## **O P I N I O N**

This decision affects only the distribution rates that San Diego Gas & Electric Company (SDG&E) charges its customers for electric utility services. A typical residential electric bill would decrease by less than 1%. The average monthly residential electric bill, excluding the price of power from the Power Exchange, will decrease from \$34.33 to \$34.01. On a total rate impact basis, SDG&E's residential electric customers will receive a 0.6% decrease; small commercial customers would receive a 0.5% decrease and large commercial/industrial customers would see a 0.7% increase. The Lighting class would experience no change in average rates while SDG&E's Agricultural customer class would receive a 0.9% decrease. There will be a 15% discount as a line item adjustment to a California Alternative Rates for Energy (CARE) customer's bill. We also provide better alignment of rates to costs. There will be a new service level for customers that are large or have multiple meters close to an SDG&E transmission line. The net effect is a rate decrease for eligible customers. We close five rate schedules in effect when SDG&E owned fossil generation, and we cancel two unused rate schedules.

### **Procedural History**

On November 1, 1999, SDG&E submitted its Rate Design Window (RDW) application for authority to make various rate design changes, to update specific marginal costs, and to revise the cost allocation among customer classes based on those revisions. SDG&E submitted this application in accordance with the schedule adopted in Decision (D.) 89-01-040 as amended by D.95-09-020. This application is the second step in a two-step process. SDG&E initiated its 1999 RDW proceeding on September 15, 1999, by mailing, a copy of its 1999 Marginal Cost Report to all parties in Application (A.) 98-07-006, SDG&E's 1998 Revenue

Allocation Proceeding (RAP) and A.91-11-024, SDG&E's last general rate case. SDG&E also submitted this application to fulfill the requirement set forth in Ordering Paragraph 10 of the first RAP decision, D.99-06-058. SDG&E asserts that its RDW filing will support the Commission's efforts to make the electric industry more competitive in the post-rate freeze environment, because the RDW proposals better align SDG&E's electric rates with its costs.

### **Joint Recommendations**

SDG&E proposes to change various existing rate designs. For the residential classes, SDG&E proposes to: (1) reduce the ratio between distribution nonbaseline and baseline energy rates; (2) base the design of energy rates for residential time-of-use customers on the weighted average of Schedule DR distribution nonbaseline and baseline rates, rather than on the Schedule DR baseline energy rates, as is currently the case; and (3) streamline the method by which SDG&E passes through the 15% CARE program discount.

A prehearing conference was held January 5, 2000, at which time the parties represented that settlement negotiations were in progress, but that it would be prudent to set a hearing date. April 3, 2000 was set for hearing. On April 3, the parties represented that they were close to settlement and requested postponement of the hearing to April 4. On April 4, the parties announced that they had settled all issues and presented four Joint Recommendations (JRs). There were no objections to any of the JRs. The matter was submitted on June 15, 2000, after receipt of briefs.

The JRs were submitted by SDG&E, the Office of Ratepayer Advocates (ORA), Utility Consumers' Action Network (UCAN), Federal Executive Agencies (FEA), Western Manufactured Housing Communities Association (WMA), the California City-County Street Light Association (CAL-SLA), and the California

Farm Bureau Federation. The JRs propose a resolution to each and every disputed issue in this case. The JRs were made a part of the record during the April 4, 2000 hearing. The recommendations contained in the JRs are based upon the parties' prepared testimony and subsequent discovery. No active party contests any JR.

SDG&E and the other parties to the JRs believe these recommendations are reasonable in that they are supported by record evidence. Moreover, the recommendations are consistent with the law and serve the public interest by presenting a comprehensive set of proposals from a diverse group of parties representing a wide spectrum of interests – a utility, customer groups, and consumer advocates. Accordingly, SDG&E urges the Commission to adopt the JRs in their entirety and without change. For the reasons stated by SDG&E and the parties, we agree that the JRs are reasonable and in the public interest.

SDG&E asks that the decision in this proceeding be made effective November 1, 2000, because of the numerous changes its billing and information technology (IT) programmers must make in response to other Commission decisions. These changes will be concurrent with those required by D.00-06-034 in the Post-Transition Ratemaking (PTR) proceeding (A.99-01-019/ A.99-02-029). This decision ordered SDG&E to refund the remaining proceeds from the company's rate reduction bonds to over one million residential and small commercial customers. SDG&E's billing and IT programming personnel will be heavily involved in this process. Events have overtaken this decision; therefore, the date changes will be made effective upon the date SDG&E files its compliance advice letter, subject to review by the Energy Division.

Two other Commission proceedings may require further changes to SDG&E's billing system. The pending review of revenue cycle services (RCS) (A.99-03-019 et al.) will not only determine the appropriate method for costing

RCS but may also address RCS pricing. SDG&E's billing system may need substantial modification. Finally, a decision in the Gas Industry Restructuring Investigation (I.99-07-003) may change how utilities bill customers for gas services, requiring additional billing and IT programming changes to reflect consolidated billing, new credits and fees, and the development of a computer system to track direct access customers.

SDG&E requests that most of the proposed rate changes described in Exhibit 24 become effective on November 1, 2000 to provide time needed to make the numerous system modifications to its billing and information and IT. SDG&E also asked that seasonal rates described in Exhibit 26 not become effective for an additional 120 days after November 1, 2000 (or on March 1, 2001).

The following exhibits are made attachments to this decision:

**Exhibit 10:** SDG&E and CAL-SLA JR. (Appendix A.)

**Exhibit 11:** SDG&E and WMA JR regarding unit space discounts. (Appendix B.)

**Exhibit 22:** The SDG&E, ORA, UCAN, the FEA, WMA, CAL-SLA and the California Farm Bureau Federation, which proposes resolutions to the vast majority of issues in this case. (Appendix C.)

**Exhibit 22B:** Revenue Allocation Table in support of **Exhibit 22**. (Appendix D.)

**Exhibit 23:** SDG&E, UCAN, and WMA JR regarding Tariff Schedule DT rebates and disputes between master meter and tenants. (Appendix E.)

**Exhibit 24:** The rate tables showing rates SDG&E proposes to become effective November 1, 2000. (Appendix F.)<sup>1</sup>

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<sup>1</sup> After submission of this proceeding, while reviewing Exhibit 24 which contains proposed rate tables reflecting the JR submitted as Exhibit 22, SDG&E discovered that

*Footnote continued on next page*

**Exhibit 26:** The rate tables showing seasonal rates that go into effect 120 days after November 1, 2000 (or March 1, 2001). (Appendix G.)

### **Comments to Proposed Decision**

The Proposed Decision in this proceeding was served on all parties for comments. Only SDG&E responded. SDG&E urges adoption of the Proposed Decision and recommends a minor change to protect customers on SDG&E's Schedule A-V1. SDG&E states that on SDG&E's Schedule A-V1 sixty-six

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the tables illustrating the proposed Distribution Energy Rates for Schedules A-V1 and A-V2 for Semi-Peak and Off-Peak periods at the Primary and Secondary Level contained errors. Specifically, Exhibit 24 states that these rates would be "zero" if the Commission adopts the JR. This is incorrect. In order to remedy this mistake, SDG&E has served on all parties a letter dated August 16, 2000, with corrected tables (sheets 9 and 10 of Exhibit 24) which accurately reflect the proposed Distribution Energy Rates for Schedules A-V1 and A-V2. SDG&E recommends that we correct Exhibit 24. We agree.

Making this correction increases SDG&E's revenues by approximately \$250,000/year. In order to avoid the need to recalculate all other large commercial rates in this proceeding, SDG&E recommends that the Commission require SDG&E to set up a memorandum account to track all revenues collected from billing the Distribution Energy Rates for Primary and Secondary Level Service during the Semi-Peak and Off-Peak periods on Schedules A-V1 and A-V2. By having these revenues captured in a memorandum account SDG&E or any other party can then propose (in SDG&E's next rate proceeding) a method to return these revenues to all Large Commercial and Industrial customers.

SDG&E has discussed the proposed changes to Exhibit 24 (including the proposal for the Commission to require SDG&E to establish a memorandum account) with all of the JR Parties. SDG&E provided each party with the corrected tables along with the worksheets that detail the development of these changes. None of the JR Parties objects to replacing the original sheets from Exhibit 24 with the corrected sheets, nor opposes SDG&E's recommendation regarding a memorandum account.

We have made the changes in Exhibit 24 as requested by SDG&E, and will authorize a memorandum account to track and return the revenue increase.

customers transferred from other schedules and will start service in September and October 2000. SDG&E is concerned about this recent migration from a customer perspective. The growth in A-V1 customers creates the potential for two customer inconsistencies. First, some of the new Schedule A-V1 customers may find that they would pay lower rates on a different schedule. These customers would be better off had they not switched to A-V1. Under the present rules, however, these customers may not be able to switch to another schedule for several months: SDG&E's Rule 12.D requires Schedule A-V1 customers to remain on that rate for a minimum of twelve months.

Second, customers who switch to A-V1 must pay a \$4,580.23 Signal Equipment Charge before receiving service under this tariff. This one-time charge is designed to cover the costs SDG&E incurs purchasing and installing the necessary equipment, and providing the complex billing services that this rate schedule demands. Thus, under the current rules, the new Schedule A-V1 customer who would be better off moving to a different rate cannot do so for many months and is out the \$4,580.23 charge.

To remedy this unintended result, SDG&E recommends that the final decision should permit customers on A-V1 and A-V2 to: 1) retain those benefits that they have received to date in the form of reduced bills; 2) switch to another rate schedule at any time within 12 months of an effective date of this RDW decision; and 3) recoup any of the unspent Signal Equipment Charge they paid to take service under Schedule A-V1 if the new rate schedule does not require its use.

We share SDG&E's concerns that some customers who switched to the AV-1 tariff may pay more than they otherwise would have on a different schedule. We believe SDG&E's proposed solution is acceptable as modified below. First, we do not believe customers need 12 months to decide which tariff

they should be on. Two months is a more appropriate period. Otherwise customers may have an incentive to game the tariffs and seek to minimize their total overall rate by timing when they switch from one schedule to another. Secondly, the AV-1 tariffs require installation of appropriate metering equipment. Allowing the customers 12 months to switch would create additional uncertainty for SDG&E over if, and when, to install the appropriate metering equipment.

We are also concerned that the Joint Recommendation recommends the closure of Rate Schedule AV-1 to new customers. We are concerned about closing this rate schedule during a time when energy supplies are tight and California is seeking to identify ways to reduce demand during peak energy periods. In R.00-10-002, we are investigating ways to retain and attract customer load willing to be interrupted. Accordingly, although we accept for now the Joint Recommendation's proposal to close Schedule AV-1, we direct SDG&E to use its existing authority under Tariff Rule 4(d) to allow customers who are willing and capable of being interrupted to take service under Schedule AV-1. Additionally, we put parties on notice that we may choose to either re-open or modify Schedule AV-1 as part of R.00-10-002.

### **Findings of Fact**

1. The recommendations in the JRs are made by parties who represent a broad spectrum of ratepayer interests.
2. The JRs were entered into after all testimony was reviewed by parties on the issues addressed in the JRs.
3. The recommendations in the JRs are the result of significant negotiation and compromise of the parties thereto on issues significantly affecting their constituents.



4. The recommendations in the JRs, resulting from negotiation and compromise, are recommended as an integrated whole.
5. Each recommendation in the JRs is reasonable and in the public interest.
6. The JRs are procedurally correct, are in conformity with Commission policy, and do not impede competition.
7. Moderating rate changes by capping increases and decreases to individual customer classes at plus or minus 3% is reasonable and should be adopted.
8. Allocating revenues to each class based on the average of four different allocation calculations as shown in the Revenue Allocation Table (Exhibit 22B) is reasonable and should be adopted.
9. The individual agreements on marginal costs incorporated in the Joint Recommendation (Exhibit 22) are reasonable and should be adopted.
10. Keeping Schedule A6-TOU and Schedule AL-TOU separate for allocation purposes and then (after the revenue allocation step) combining these rate schedules for the purpose of rate design is reasonable and should be adopted.
11. Allocating generation related franchise fees using energy as an allocator is reasonable and should be adopted.
12. Deferring the allocation of Nuclear Decommissioning costs to the Post Transition Ratemaking Phase 2 proceeding (A.99-01-019, A.99-02-029) is reasonable and should be adopted.
13. The proposal to implement residential nonbaseline distribution rates that vary by season beginning 120 days after November 1, 2000 is reasonable and should be adopted.
14. Introducing seasonal distribution rates for Schedule A beginning 120 days after November 1, 2000 is reasonable and should be adopted.
15. Deferring the residential customer charge issue in this proceeding and to require SDG&E to make a filing concerning a residential customer charge in an

application not later than December 31, 2001 is reasonable and should be adopted.

16. Adopting the Unit Space Discount recommended in SDG&E's and WMA's Joint Recommendation (Exhibit 11) is reasonable and should be adopted.

17. Adopting the SDG&E, WMA and UCAN Joint Recommendation (Exhibit 23) is reasonable and should be adopted.

18. Closing Rate Schedules AO-TOU, PA-TOU, AV-2 and RTP-2 to new customers on the effective date of this decision is reasonable and should be adopted.

19. Canceling Schedule AO-TOU one year after the effective date of this decision is reasonable and should be adopted.

20. Closing Schedule AV-1 to new customers on the effective date of this decision except for customers installing Distributed Generation should be adopted at this time. The Commission may choose to revisit this issue in R.00-10-002.

21. Allowing customers that are on Schedules AV-2 and RTP-2 to transfer to Schedule AV-1 as of the effective date of this decision is reasonable and should be adopted.

22. SDG&E's Electric Rule 12.D requires customers who switch to Schedule A-V1 to remain on the schedule for a minimum of 12 months. Changes adopted in this proceeding could result in a bill increase to Schedule A-V1 customers. It is reasonable, therefore, to require SDG&E to permit customers who have taken service on Schedule A-V1 since November 1, 1999 (the date SDG&E filed this RDW) to switch back to their prior rate schedule at any time within 2 months of the effective date of this decision.

23. It is reasonable that SDG&E return to customers who have switched to Schedule A-V1 since November 1, 1999 (and would prefer to return to another

rate schedule within 2 months of this decision), any unspent portion of the Signal Equipment Charge.

24. Requiring all customers on Rate Schedules PA-TOU, AV-2 and RPT-2 to take service on another rate schedule 12 months after the effective date of this decision is reasonable and should be adopted.

25. Canceling Rate Schedules PA-TOU, AV-2 and RTP 18 months after the effective date of this decision is reasonable and should be adopted.

26. Canceling Rate Schedules AV-3 and I-3 on the effective date of this decision is reasonable and should be adopted.

27. Changing the limitation on the number of new customers permitted on A-TOU from 1,500 per year to 1,000 per year and to list Schedule A-TOU as a regular Rate Schedule in SDG&E's Table of Contents is reasonable and should be adopted.

28. Establishing the manner in which SDG&E is to communicate with customers being cancelled as a result of this decision is reasonable and should be adopted.

29. Increasing the level of service from the current 10 megawatts (MW) to 12 MW before a higher Basic Service Fee is applied for Primary Substation level rates is reasonable and should be adopted.

30. Splitting the Distance Adjustment Fee for Primary Substation level rates into separate fees that are differentiated between overhead and underground areas is reasonable and should be adopted.

31. Changing the point of measurement for determining the Distance Adjustment Fee (for Primary Substation level rates) to originate from the nearest transmission level line (69kV kilowatts or higher) instead of the nearest substation is reasonable and should be adopted.

32. Changing the Distance Adjustment Fee (for Primary Substation level rates) from \$2.80/foot/month to \$1.09/foot/month for overhead service and to retain the \$2.80/foot/month for underground service is reasonable and should be adopted.

33. Utilizing the ORA approach to Basic Service Fees (for Primary Substation level rates) resulting in values of \$12,373/month for customers with demand equal to or less than 12 MW and \$19,482/month for customers with demand over 12 MW is reasonable and should be adopted.

34. Introducing a new sub-class of customers that are secondary customers that are located near a 69 kV line, or higher, is reasonable and should be adopted.

35. Permitting customers on a single premise with multiple meters to receive a combined bill for a fee is reasonable and should be adopted.

36. Adopting the CAL-SLA and SDG&E Joint Recommendation (Exhibit 10) that would result in no change to any street light rates as a result of this proceeding is reasonable and should be adopted.

37. Removing any reference to a termination date in SDG&E's Rule 4.D., and adding six (6) new conditions to Rule 4.D. as set forth in the Joint Recommendation is reasonable and should be adopted.

38. The proposed rate schedules that correlate to the Joint Recommendation (Exhibit 22) as set forth in Late-Filed Exhibit 24 are reasonable and should be adopted.

39. The revised tariff language that correlates to the Joint Recommendation (Exhibit 22) as set forth in Late-Filed Exhibit 25 are reasonable and should be adopted effective 15 days after the effective date of this decision.

40. The proposed rate schedules and revised tariff language that correlate to the JRs for delayed implementation as set forth in Late-Filed Exhibit 26 are

reasonable and should be adopted effective 120 days after the effective date of this decision.

41. SDG&E's uncontested rate design proposals (Exhibits 4 and 5) are reasonable and should be adopted. These uncontested proposals include, but are not limited to the following:

- a. to pass CARE discounts under Schedules DR-LI, DS, DT, DT-RV and D--SMF through to eligible CARE customers using a line-item reduction to the total bill amount;
- b. to discontinue On-Peak and Average Rate Limiters under Schedules AL-TOU, AO-TOU, NJ, AY-TOU, and A6-TOU;
- c. to change the Schedule DR Applicability section by adding the text: "to any approved combination of residential and nonresidential service on the same meter";
- d. to change the Schedule A Applicability section by adding the text: "otherwise eligible for service under Schedule DR. This schedule is applicable for single-phase service for separately metered residential common use areas, provided that such common use facilities serve residential customers residing in detached homes located on separate premises."
- e. to change the Schedule PA Applicability section by adding the text: "This schedule is available to agricultural customers who are classified with Standard Industrial Classification (SIC)/Codes 01, 02, 4941, 4952, or 4971. When demand metering is not available, consumption cannot equal or exceed 300,000 kWh per month for three consecutive months."
- f. to change the Rule 19B.3 by revising the text to include: "under Schedule A for non-residential vessels such as non-live-aboard recreation and/or fishing boats, and Schedules DR or DR-LI for authorized live-aboard vessels."

- g. to change the Schedule A6-TOU Time Period Description Section by including the text: "When the billing period has an equal number of days within each month, the month with the highest System Peak will prevail."
- h. to change the name of Schedule AL-TOU to "General Service – Time Metered."
- i. to change to the name of Schedule A6-TOU to "General Service – Time Metered Optional."
- j. to change the name of Schedule AY-TOU to "General Service – Time Metered Optional."
- k. to insert a new Special Condition in Schedule AL-TOU for Temporary Service to state: "When service is turned on for cleaning and/or showing of an unoccupied premise above 20 kW facility, the minimal usage shall be billed under Schedule A, until a new tenant begins service."
- l. to change rate component terminology in Schedule A6-TOU from "Maximum On-Peak" to Maximum Demand at Time of System Peak."

### **Conclusions of Law**

- 1. The Joint Resolutions are reasonable and are approved.
- 2. The rates, allocations, and charges set forth in Appendixes A through G are reasonable and are adopted.
- 3. SDG&E should establish a memorandum account as set forth in the order.

### **O R D E R**

#### **IT IS ORDERED** that:

- 1. San Diego Gas & Electric Company (SDG&E) shall file, no later than 30 days after the effective date of this order, revised tariff schedules which implement the adopted changes shown in Appendixes A through F. The revised

tariff schedules shall comply with General Order (GO) 96-A and shall apply to service rendered on or after their effective date.

2. The rate tables in Appendix F shall become effective on the date that SDG&E files the advice letter in compliance with Ordering Paragraph 1 of this decision, subject to Energy Division finding that the advice letter is compliant with this decision.

3. On March 1, 2001, SDG&E shall file an advice letter to implement the rate tables shown in Appendix G. This advice letter shall be effective on filing, subject to Energy Division finding that it is compliant with this decision.

4. SDG&E shall establish a memorandum account to track all revenues collected from billing the Distribution Energy Rates for Primary and Secondary Level Service during the Semi-Peak and Off-Peak periods on Schedules A-V1 and A-V2. In SDG&E's next rate proceeding those revenues shall be returned to all Large Commercial and Industrial customers.

5. SDG&E shall permit customers who switched to Schedule A-V1 since November 1, 1999, to switch their service to another rate schedule at any time during the 2-month period following the effective date of this decision.

6. SDG&E shall return to customers taking service on Schedule A-V1 and who ask to terminate that service within 2 months of this decision, any unspent portions of the Signal Equipment Charge.

7. SDG&E shall use its existing authority under Tariff Rule 4(d) to allow customers who are willing and capable of being interrupted to take service under Rate Schedule AV-1.

8. This application is closed.

This order is effective today.

Dated December 21, 2000, at San Francisco, California.

LORETTA M. LYNCH

President

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

CARL W. WOOD

Commissioners



**Note:** See CPUC Formal Files for Appendix(ces) or Attachment(s).